EXTENSIONS OF REMARKS

PRESIDENT CLINTON'S ECONOMIC PLAN DISTORTED

HON. JILL L. LONG

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 8, 1993

Ms. LONG. Mr. Speaker, some of our Republican colleagues have been seriously distorting President Clinton's economic plan, claiming that it contains the "largest tax increase in American history." For those who have been making such allegations, perhaps it is time for a refresher course in history—just to set the record straight.

Those who make the flawed argument that President Clinton has proposed the largest tax increase in history use current or nominal dollars as their basis for comparision—incorrectly implying that a dollar spent in 1982 has the same value as a dollar spent in 1993. Such a comparison tells you nothing relative to either inflation or the size of the economy. Such analysis which ignores these two critical factors could clearly distort the economic impact and true size of tax increases. In fact, according to the Congressional Research Service [CRS] in a memorandum on the very subject of historical comparisons of the size of tax increases, "A comparison made in current dollars would be of no use whatever."

Since the size of the real economy affects such comparisons, as well as changes in prices, a more reasonable way to compare the impact of tax proposals is to measure them as a percentage of our gross domestic product [GDP]. Over the entire 5-year budget window, the 1982 Reagan tax increase represented a little more than 1 percent, 1.09 percent, of our GDP. The Clinton proposal, on the other hand, represents a little more than one-half of 1 percent, .59 percent.

For the RECORD, I am inserting a memorandum prepared by Congressional Research Service [CRS] on the issue of historical comparisons of tax increases. I urge my colleagues to read this informative memorandum before they historically compare the size of tax increases.

CONGRESSIONAL RESEARCH SERVICE,
Washington, DC, February 22, 1993.

MEMORANDUM

To: Honorable Jill Long, Attention: Tim Hollenbaugh.

From: Jack Taylor, Specialist in Public Finance, Economics Division.

Subject: Historical Comparisons of the Size of Tax Increases.

As you requested, this memorandum discusses the several ways one might make historical comparisons of the size of different tax increases. Any such comparisons are obviously of doubtful use, since they are so sensitive to the time periods covered, the type of tax changes made, and the comparability of the economic and other factors influencing them. However, it is quite common to make such comparisons, and there are some principles one could use to decide whether they have any validity.

A comparison made in current dollars would be of no use whatever. For example, the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) is frequently called the "largest tax increase in history" (because of the five-year total revenue raised in current dollars). It was estimated to raise $38 billion in its first full year. This appears much larger than, for example, the Revenue Act of 1942, which was estimated to raise only $7 billion in its first year. If both figures are stated in 1987 dollars, however, the 1942 act raised $62 billion and the 1982 act only $42 billion. (The current Administration proposal is projected to raise $36 billion in current dollars or about $29 billion in 1987 dollars the first full year.)

Since the size of the real economy affects these comparisons as well as changes in prices, a more reasonable way to make them, if one insists on doing so, might be to compare them as percentages of gross domestic product (GDP). Of the tax acts cited above, the 1942 increase represented 4 percent of GDP, while the 1982 act represented only 1 percent. (The Administration proposal would be about one-half of one percent.) In seeking the "largest increase in history," incidentally, one would probably want to look even further back; the Revenue Act of 1918 raised an estimated $6 billion from a much smaller economy, and the Civil War tax acts, although more difficult to quantify, were probably even larger.

It should be emphasized again that this particular approach to analyzing tax decisions is not very fruitful. Other factors that would have to be taken into account include the nature of the tax changes (some, such as changes in depreciation practices, simply trade revenues between years), the time periods for which revenue estimates are being made (not all comparisons even use the same number of fiscal years), and the effective dates of the tax changes (a law passed this year may take many years to produce its ultimate revenue effects). And even if all factors are taken into account, there are still better ways to evaluate tax changes, such as their relationship to the needs of the public sector for revenue.

INTRODUCTION OF THE MICROENTERPRISE OPPORTUNITY EXPANSION ACT

SPEECH OF

HON. CARDISS COLLINS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 27, 1993

(Mrs. COLLINS of Illinois asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. COLLINS of Illinois. Mr. Speaker, today, I am introducing the Microenterprise Opportunity Expansion Act with a great sense of satisfaction and accomplishment over the prospects for microenterprises across the country.

In 1988, when I first began preparing microenterprise legislation, very few people in Government with whom I spoke were at all familiar with the concept of microenterprise development. In 1990, when I introduced the first bill in Congress to promote microenterprise in the United States, there were still only a few Members of Congress or congressional staff that were familiar with microenterprise programs and their benefits.

Now, in 1993, the landscape has been overhauled. Today, we have a President who vocally and frequently touts the virtues of promoting microenterprises. Additionally, a number of other Members of Congress have initiated other efforts on this subject including, most notably, H.R. 455, the Microenterprise and Asset Development Act, introduced by Representative TONY HALL, of which I am pleased to be a lead cosponsor. Finally, the public, the Congress, and the administration have come to recognize the value of helping people help themselves and the importance of Government policies which tangibly assist these individuals.

Microenterprises are the very smallest businesses, having five or fewer employees, at least one of whom owns it. Often, microenterprises have no employees beyond the owner-operator(s), which is the reason that self-employment is often an issue. It is frequently seen as a road out of reliance on public assistance, although startup help is regularly needed.

Two examples from the Chicago-based Women's Self-Employment Project [WSEP] demonstrate the value of microenterprise programs and the need for this legislation.

Ms. Lynn Hardy was on welfare when she joined one of WSEP's programs in 1990. She used her first $1,500 loan to begin a graphic arts business known as Lynn's Designs. At first, Ms. Hardy limited her services to business cards and signs. Within 18 months, however, she expanded her services to calendars, posters, airbrushed T-shirts, and day care murals. Ms. Hardy borrowed from the loan fund a second time, using $3,500 to purchase supplies. Through her own strength, the support of other new entrepreneurs at the program, and WSEP capital, Ms. Hardy now supports herself and her three children. "Believe me," she wrote, "* * * it will be a success story for all low-income women—letting them know with trust in God, having a vision, and WSEP you can make it."

In contrast with Lynn Hardy's success, Ms. Bernice Jackson met Government-imposed obstacles that she simply could not hurdle. In 1987, she joined a different one of WSEP's programs and participated in the self-employment training. She then started her own cleaning business which she operated for 1 year. Ms. Jackson was forced

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